

PEBB *Perspective.*

Washington State
Health Care Authority
Public Employees Benefits Board

What You Need to Know About Rising Health Care Costs

It's no secret health care costs are rising. Unfortunately, both you and your employer can expect to pay more for your health care coverage in 2002. Although exact figures won't be available until this fall, your monthly premium will still represent less than 10 percent of the total cost of your health care. The state's contribution for all employee benefits was, on average, \$391 per employee per month in fiscal year 2000, and \$436 in fiscal year 2001.

In the past several years, the cost of providing health care coverage has increased more than 10% each year for state employees and non-Medicare retirees, and even more for Medicare retirees. There are several reasons why costs continue to increase, but the two biggest culprits are rising prescription drug costs

and increased use of health care services, both which are causing everyone (consumers and employers) to pay more.

Drug spending is going up

Over the past couple of years, industry estimates indicate that prescription drug prices are increasing 15% to 20% annually.

Nationally, total drug spending went from \$37.7 billion in 1990 to \$100.6 billion in 1999.

What is driving up drug spending?

Pharmaceutical companies are spending more money on drugs, both in the areas of research and development, and in marketing. In turn, the development of new drugs and increased marketing are causing people to use more drugs. Employers and consumers are footing the bill.

Research and development

Pharmaceutical companies spend over \$17 billion annually on the research and development of new drugs. Just in the past few years, new drugs have been developed to treat illnesses that previously had no treatment. In addition, new drugs have been developed that not only save lives but also enhance lifestyles. This includes drugs that treat sexual dysfunction or hair loss.

Drug usage

More people are using drugs than ever before. Pharmaceutical companies spend over \$8 billion per year on marketing, including \$1.3 billion on direct-to-consumer marketing (television and magazine ads that urge you to get a prescription from your doctor). Doctors tend to

Washington State
Health Care Authority
Sue Crystal
Administrator

Public Employees
Benefits Board
P.O. Box 42684
Olympia, WA 98504-2684
1-800-700-1555
360-412-4200
www.wa.gov/hca

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Do You Have A New Address?

If you've moved, be sure to contact your personnel/payroll/benefits office to make sure they have your home address. The PEBB program wants to be sure you get future information on your health care benefits!

What To Look For in the Fall Issue

- Health plan or benefit changes in 2002
- Online open enrollment-new features
- Open enrollment dates and benefits fairs schedule

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prescribe these drugs more, because the pharmaceutical companies market directly to them too. The drugs that are heavily advertised are the top sellers, but they cost more because of that advertising overhead. Also, a larger percentage of the general population is at an age where maintenance medication is more common.

Better educated consumers

Consumers have become more educated about their health care options — they no longer passively accept the directives from their doctors or other providers, but seek second opinions and alternative treatments. These developments have

improved the quality of health care services, but have also increased costs as more providers are involved in a patient's treatment. In addition, it costs more to provide health care to retirees because they're older and often use more health care services.

What can you do?

Request lower-cost generic drugs or drugs from your health plan's formulary (preferred drug list). When your doctor prescribes medication, ask if a generic drug or a less expensive name-brand drug will work just as well as a drug you may have heard about on a

television advertisement. The difference in cost can be significant. For instance, the antidepressant Prozac costs over \$1,400 per year*. An equivalent drug, Zoloft, is \$780 per year*. Another example is the nonsedating antihistamine Claritin, which costs \$804 for a patient to use over the course of a year*. An equivalent drug like Zyrtec can be substituted at a cost of \$660 per year*. Choosing a generic alternative or a formulary drug not only saves you money, but also helps your employer and health plan keep their costs down.

*Estimated cost

Did You Know...

...you can find information on
your PEBB coverage online?
Visit www.wa.gov/hca/pebb.htm

We Heard You! Results from the Open Enrollment Survey. . .

Thanks to all of you who shared your comments through last fall's open enrollment survey. Here's what we heard:

- One of the most important factors in choosing a health plan is your choice of doctors; you also rated highly the health plan's approach to care, monthly premium, and health plan customer service.
- Overall, you thought that the open enrollment booklet was easy to use. However, many of you felt you needed more information.
- Many of you felt that most of the open enrollment booklet was helpful in making a health plan decision.
- About half said they attended a benefits fair, and of those, nearly half felt the benefits fairs were helpful.
- Of those who added comments, the majority said that we should "Keep up the good work!"

We'll continue to work hard to improve the open enrollment materials, giving you the information you need in an understandable format. We know that understanding your health care coverage can be challenging, but we'll try our best to help you get the most out of your health care benefits. If you have a suggestion, feel free to contact us through the Public Employees Benefits Board (PEBB) Web site at www.wa.gov/hca/feedbackpebb.htm or write to: Health Care Authority, Public Employees Benefits Board, P.O. Box 42684, Olympia, WA 98504-2684.

More Online Features for 2002 Open Enrollment

With the success of last year's online open enrollment, this fall you can expect more electronic features to help you make changes to your 2002 health care coverage. One of those features will be a health plan decision tool, which will interactively help you select the plan that is best for you and your family. We are also exploring other possibilities, such as being able to add eligible family members to your coverage.

Last fall, 38% of those who made health plan changes made the changes online (about 4,400 subscribers), although more than 12,000 subscribers from 98 agencies logged on to the online form. Look for more details in the fall issue of *PEBB Perspective*!

Canceling Coverage for Family Members Who Are No Longer Eligible

If you have a family member who is no longer eligible for coverage, be sure to notify your personnel/payroll/benefits office. Your children are normally eligible through age 19. They may be eligible to continue coverage as a student if they are:

- Age 20 through 23;
- Dependent on you for maintenance and support (housing, food, tuition, etc.);
- A full-time student; and
- Attending at least three out of four quarters, or two semesters

Children ages 24 or older don't qualify unless they've been approved for coverage as a disabled dependent. For more details, contact a benefits specialist at 1-800-700-1555.

Retiring Employees Offered More Flexibility With Their PEBB Coverage

Eligibility changes now give retiring employees more flexibility so they don't have to forfeit their retiree coverage.

COBRA bridge

Employees can enroll in COBRA coverage upon retirement, giving them up to 18 months to meet eligibility criteria. Retirees must meet PEBB eligibility requirements (as outlined in WAC 182-12-117) prior to the end of their COBRA period. This might be helpful for employees who have enough service credit, but need a few additional months to meet the age requirement for drawing

their pension benefit. Application for PEBB retiree coverage must be made within 60 days of the end of the COBRA period.

Waiving retiree insurance enrollment

Employees who immediately enroll in other comprehensive, employer-provided coverage (either through re-employment or their spouse's/same-sex domestic partner's coverage) upon retirement from Washington State can waive enrollment in PEBB retiree coverage. (Please note that other group retiree coverage doesn't qualify as

"employer-provided coverage.") Employees must qualify as PEBB retirees when they leave employment with Washington State, as outlined in WAC 182-12-117. Within 60 days from the date the "employer provided" coverage ends, retirees must apply for PEBB retiree coverage and provide proof they were continually covered during the waiver period.

For details on these changes, call a Health Care Authority benefits specialist at 1-800-200-1004 (then press 3).

Making Changes to Your Life or Long-term Disability Insurance

Please remember that you can make changes to your life and/or long-term disability (LTD) insurance at any time (subject to approval by the insurance company).

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